

**Testimony of
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Cadillac, Michigan
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Energy Policy Committee
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My name is Kim Molitor and I am the President & Chief Executive Officer of Wolverine Power Marketing Cooperative (WPMC) located in Cadillac, Michigan. I would like to express my appreciation to Chairman Nesbitt and the Committee for allowing WPMC to testify regarding the Choice provisions of Public Act 286 of 2008.

WPMC is a member-owned, Michigan-based alternative electric supplier licensed by the Michigan Public Service Commission to participate in Michigan's Electric Choice program. WPMC has been meeting its members' power supply needs since the inception of Choice. WPMC is a member of MECA and, to my knowledge, is the only not-for-profit alternative electric supplier in the nation.

My comments today will be specifically focused on the "Customer Choice & Electricity Reliability Act" portions of Public Act 286 of 2008.

I would like to begin my comments by respectfully advancing WPMC's position that the elimination of Choice as contemplated in House Bill 4298 is a step backward for Michigan and its businesses and other organizations. Electric competition has been good for Michigan electric business customers and has required all of our state's electric utilities to focus on costs and service.

A significant amount of dialogue has occurred over the past number of months and years alleging a need for Michigan to return to full electric regulation in order to provide Michigan's utilities with the assurance needed to make long-term capital investments in Michigan. One is left with the thought that unless this happens the lights might not stay on for all Michigan customers. The reality is that significant investments have been made by Michigan's electric cooperatives and the state's two largest electric utilities over the past five years. Michigan's cooperatives have invested more than \$1.5 billion in generation, transmission and distribution

infrastructure since 2006 and Wolverine Power Cooperative recently announced that it will construct a gas-fired power plant in Northern Michigan to meet the long-term capacity and energy needs of its members. The largest utilities have invested multiple billions of dollars in the last five years to serve their current 90% load level. Utilities are, in fact, making the long-term investment decisions required to assure that the lights stay on in Michigan for Michigan's customers.

I'd also like to stress the importance of a point discussed earlier today by MECA's Craig Borr—that being the necessity of Michigan's businesses to have certainty regarding significant capital investments in Michigan for Michigan. One of WPMC's members, St. Marys Cement, is testifying today regarding a pending \$150+ million investment to its facilities in Charlevoix, Michigan and how the potential elimination of Choice is a significant factor in whether those investments are made at St. Marys' Michigan facility in Charlevoix or at their Illinois location.

My comments today are based upon one Michigan-based alternative electric supplier's perspective and will focus on three areas:

1. WPMC's members' Choice experience
2. The looming capacity shortage in Michigan
3. The future of Choice in Michigan

WPMC's Members' Choice Experience

WPMC serves the electric needs of 20+ member-owners in Michigan. These members employ nearly 30,000 Michigan residents and the electricity costs savings these businesses and universities have received approaches \$90 million. This savings is one way that these businesses ensure their competitiveness. Several of WPMC's member-owners are testifying today regarding the importance of continuing Choice as a competitive option in Michigan.

WPMC offers its membership access to Michigan-based renewable supply as a component of their power supply, which is very important to a number of WPMC's members; it's important to note that these members have achieved significant electricity cost savings while simultaneously meeting corporate environmental goals.

WPMC and its membership believes that the continuation of Choice at the current 10% level is critical to assuring that all utilities focus on cost containment and service—which assures a strong and competitive Michigan.

Michigan's Looming Capacity Shortage

WPMC shares the concerns of the Administration, the Michigan Public Service Commission, the Midcontinent Independent System Operator, Inc., and the electric utilities regarding the looming capacity shortage in the region and, specifically, in Michigan. As many of you will recall, the utilities in conjunction with the Michigan Public Service Commission undertook several studies specifically focused on planning for future capacity needs: first the 21st Century Energy Plan and then the Capacity Needs Forum.

Unfortunately, on the heels of the second study the economic downturn hit and Michigan was impacted harder than many other states. Michigan, as a state, experienced negative growth for a number of years and this gave a false sense of security as it pertained to capacity—the can was kicked down the road. Proposed coal plant retirements, which we have known about for a number of years now, are projected to eliminate Michigan's remaining excess capacity—actually pushing Michigan into a capacity shortfall. The days of “free” or “cheap” excess capacity are going away.

WPMC purchases all of its power supply from Wolverine Power Cooperative, which is also a member-owned not-for-profit organization. WPMC has *always* backed all of its contracts with its members with Michigan-based capacity since WPMC began serving the electricity needs of its members in 2001. When I say “capacity” I am referring to an actual power plant or steel in the ground—Michigan-based steel in the ground. Wolverine's recent five-year assessment for meeting its members' needs filed with the Michigan Public Service Commission in February showed that Wolverine had sufficient capacity to meet the needs of all seven of its members for the next five years including WPMC.

WPMC believes that the Administration's position that all electricity providers should have sufficient capacity to meet customer needs on a longer-term basis is a prudent measure that merits further consideration. This approach assures a level playing field for all electricity providers while simultaneously assuring that Michigan's electric users have reliable and competitive power.

The Future of Choice

WPMC supports the continuation of Choice in Michigan at the current 10% level for Michigan. Electric competition in Michigan has allowed WPMC's 20+ member-owners to choose their power supplier, reduce their electric costs, and obtain the type of service that exists *only* when competition exists. Further, Michigan's utilities have been making and will continue to make the necessary long-term capital investments to meet the needs of their customers—including service at the current 90% load level.

WPMC acknowledges that the impending capacity shortage caused by coal plant retirements is real and concerning, and has been known for a number of years—offering plenty of time for Michigan's utilities to build capacity. A longer-term capacity commitment by all electric providers is one way of assuring that Michigan's businesses continue to have competitive supply options while at the same time assigning the responsibility for capacity planning to those that are servicing Michigan's businesses—whether it's an investor-owned utility, a cooperative, an alternative electric supplier, or a municipal utility. As noted above, WPMC has always and will continue to always back every member contract with Michigan-based capacity.

I would like to close by thanking Chairman Nesbitt and each of the members of the House Energy Policy Committee for the opportunity to testify before you today. I would be happy to answer any questions that you might have.